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RR RUEHCHI RUEHDT RUEHHM RUEHNH  
DE RUEHBK #1475/01 0720803  
ZNR UUUUU ZZH  
R 130803Z MAR 07 ZDK  
FM AMEMBASSY BANGKOK  
TO RUEHC/SECSTATE WASHDC 5489  
INFO RUCNASE/ASEAN MEMBER COLLECTIVE  
RUCPDO/DEPT OF COMMERCE WASHINGTON DC

UNCLAS SECTION 01 OF 02 BANGKOK 001475

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E.O. 12958: N/A

TAGS: [EAIR](#) [EWWT](#) [ELTN](#) [TH](#)

SUBJECT: AMBASSADOR MEETS WITH MINISTER OF TRANSPORTATION

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¶1. SUMMARY: On March 6, the Ambassador, accompanied by the Commercial Counselor and a group of industry representatives met with Thailand's Minister of Transportation. The Minister and his staff were receptive to the points made by the Ambassador and the industry representatives on Open Skies, airport baggage screening, the customs free zone at the airport, port and inland container terminal utilization, and communication with stakeholders, promising to follow up on the issues or, in some cases, indicating that resolutions were already in process. The Minister designated a contact person to facilitate future follow-up with the ministry. End Summary.

¶2. On March 6 the Ambassador led a delegation including the Commercial Counselor and industry representatives to meet with Admiral Thira Hao-Charoen, the RTG Minister of Transportation. The industry group included representatives from Federal Express, UPS, Northwest Airlines (also representing United Airlines), Boeing, GE Aviation, Pratt & Whitney and the AMCHAM Transport/Logistics Committee. Ministry staff present included Deputy Minister Sansern Wongcha-Um, Permanent Secretary Chaisawasdi Kittipornpaibul, Office of Transport and Traffic Policy and Planning Director General Maitree Srinarawat, and Mr. Chula Sukmanop, Chief of Multi-modal Transport Development Group. The visit was organized by the Foreign Commercial Service in Bangkok as an opportunity to raise industry issues with the ministry and establish lines of communication for the future. Although the meeting only lasted 30 minutes, a wide range of issues were raised, and the Minister and his staff proved generally receptive responsive.

#### EMBASSY AND INDUSTRY CONCERNS

¶3. The Ambassador used his opening remarks as an opportunity to urge the RTG to quickly resolve outstanding questions regarding the interpretation and implementation of the Foreign Business Act in a way that will help promote further investment in Thailand.

¶4. On specific issues, the Ambassador asked the RTG to accept blanket designation of U.S. airlines for operations in Thailand under the 2005 Open Skies agreement. He noted that Thai airport authorities had not yet completed takeover requirements for baggage screening equipment, preventing the stockpiling of spare parts. This situation raises the risk that equipment breakdowns could force Thailand out of compliance with ICAO Annex 17 requirements.

¶5. The Ambassador encouraged the Ministry to improve communications with stakeholders when considering policies that affect them. Specific examples mentioned included operations at the troubled Suvarnabhumi Airport and the status of the Customs Free Zone (CFZ), also at the new airport. He pushed for a clear and transparent decision making process for any policy changes affecting industry stakeholder.

¶6. The Ambassador remarked on the upcoming decision on an engine supplier for the Airbus A380 aircraft ordered by Thai Airways International (THAI), and encouraged the MoT and THAI to give

favorable consideration to the U.S. bidders on the contract.

¶17. After the Ambassador's remarks, the representatives from industry had an opportunity to make additional points. The representative from Northwest Airlines, speaking on behalf of the Board of Airline Representatives, complained that the Airports Of Thailand (AOT, the operator of Suvarnabhumi Airport) never issued official notices to the airlines regarding decisions on operations at the airport. He noted that the airlines were often reduced to drawing their information from the newspapers, or at best from verbal comments.

¶18. Representatives from the Engine Alliance (GE Aviation and Pratt & Whitney) asked about the timing of the decision on the engine for the THAI A380s. (Note: A decision on the engine supplier was previously expected by the end of 2006, but was postponed as a consequence of Airbus production and delivery delays.) Separately Pratt & Whitney inquired about the engine decision on THAI's order for A330 aircraft. GE commented on maintenance capabilities it could offer.

¶19. Boeing, observing that THAI represented critical infrastructure for Thailand, and that the aviation industry is very competitive, noted that THAI's fleet of aircraft is old. Boeing urged the MoT and THAI to consider all options for renewal of the fleet (i.e. Boeing over Airbus aircraft).

¶110. Federal Express noted that restrictions on when heavy trucks are permitted in the Bangkok metropolitan area, intended to reduce traffic congestion, in fact result in more traffic, since a larger number of smaller trucks are necessary. FedEx requested that the MoT favorably consider its request for an exemption.

¶111. PB Agencies Co., speaking for the AMCHAM Transportation/Logistics Committee noted that Thai - U.S. trade was growing rapidly, and that roughly 500,000 containers were shipped from Thailand to the U.S. in the past year. He noted that the Thai

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logistics infrastructure, especially the port of Laem Chabang, were being inadequately utilized, with inefficient transport of freight from the port to the inland container terminals (ICTs). He also noted that the ICTs have been operating without leases for months, rendering expansion and investment difficult.

#### MINISTRY RESPONSE ENCOURAGING

¶112. In responding to the points raised by the Ambassador and the industry representatives, the Minister deferred to members of his staff to address the specific points. On the Open Skies issue Director General Maitree Srinawat noted that case-by-case designation is required by Department of Civil Aviation (DCA) regulations. While regulations can be changed relatively easily (without changes to the law), the process will take some time.

¶113. Deputy Minister Sansern Wongcha-Um made note of the point about getting news of airport operations from the press, saying he could well understand the frustration of the airlines. He promised to request that AOT revise their practices to issue written notification to stakeholders regarding decisions on airport operations. He did not have information about the baggage screening equipment issue, but promised to look into it. Regarding the possible changes to the operations at the CFZ, MoT stated that consideration of any changes had been postponed for one year, after which proposals for a revision of the regime would be reconsidered.

¶114. On the ICTs, DG Srinawat stated that an agreement in principle had already been reached for a 5-year lease extension with the existing operators. The agreements were due to go to the State Railway of Thailand (SRT) the next day (March 7) for approval; signing of the leases should follow soon. Mr. Chula Sukmanop noted that plans for a double track rail from the port of Laem Chabang to the ICTs were already going forward. Soil considerations necessitate design modifications, but 6,000 THB has already been allocated in the budget for the project.

¶15. Regarding the A380 engine choice, Mr. Sukmanop stated that the MoT was still waiting for documentation from THAI. The same was true for the A330. As for THAI fleet renewal, Deputy Minister Wongcha-Um stated that the ministry had already asked THAI to conduct a complete review of its investment plan, implying that Boeing would be considered for any future aircraft purchases.

¶16. In closing, the Minister noted that Permanent Secretary Chaisawasdi Kittipornpaibul would be the point of contact in the ministry for follow-up on the issues raised in the meeting, or on future concerns.

#### COMMENT

¶17. The MoT response to the issues raised by the Ambassador and industry was very encouraging. The Minister and his staff listened carefully and made promises to address the concerns discussed. Nevertheless, several commitments were general in nature, especially when secondary agencies were involved, such as on AOT communications, the DCA and Open Skies, or THAI and the engine selection process. Close follow-up will probably be required to ensure that these commitments produce concrete results

#### BIOGRAPHY

xx. Admiral Thira Hao-Charoen was born 6 April 1940 and has been a career naval officer. His training includes study in the U.S. and UK, most recently at the Naval Command College in 1982. After serving as Commanding Officer of the HTMS Chang from 1975-76, Adm. Hao-Charoen has held mostly staff positions. These include Aide, and later Staff Officer to the Commander in Chief, RTN, Naval Attache in Washington, Chief of the Naval Secretariat, Deputy Commandant of the Naval Academy, Commandant of the Naval War College, Assistant Chief of Staff for Logistics, RTN, Deputy Chief of Staff, then Chief of Staff, RTN, Deputy Commander in Chief, RTN. From 1998-2000 Adm. Hao-Charoen served as Commander in Chief, RTN. From 1996-2000 Adm. Hao-Charoen served as an appointed Senator. Adm. Hao-Charoen is an Honorary Aide-de-Camp to H.M. the King, and is a Judge of the Military Supreme Court. Adm. Hao-Charoen speaks very softly and as a manager appears to prefer to delegate responsibility

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